



**JACKSON COUNTY SPORTS
COMPLEX AUTHORITY**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-74
July 25, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2003

The following problems were discovered as a result of a review conducted by our office of the Jackson County Sports Complex Authority.

The Jackson County Sports Complex Authority (the Authority) is currently operating under 25-year lease agreements with the Kansas City Royals and Kansas City Chiefs which were entered into in January 1990. Each lease agreement calls for annual basic rents paid by the teams of \$450,000 and percentage rentals based upon gross receipts, net of taxes, in excess of \$7,500,000.

In connection with the lease agreements, the Authority agreed to a comprehensive master plan of improvements and repairs to keep the Harry S. Truman Sports Complex in top condition. The Authority also entered into management contracts with the teams which provide for the Authority to pay management fees to the Royals and Chiefs. Management fees of approximately \$2.8 million and \$3.0 million were paid to the Royals and the Chiefs, respectively, during the year ended December 31, 2002. These fees are to compensate the teams for the costs to manage the daily operations of the stadiums, including utilities.

As noted in previous audits, past analyses and studies have indicated anticipated revenues of the Authority would not be sufficient to cover its expenses over the life of the leases. Past projections made by various parties, including the State Auditor's office, have estimated a revenue shortfall over the term of the lease agreements ranging from \$19 million to \$53 million. Past audits have disclosed efforts by the Authority and other parties to fund the revenue shortfall, including consideration of a metropolitan funding solution.

Based on the current review, it is apparent the Authority will still be unable to meet its obligations under the leases without additional funding. The auditors projected the revenue shortfall would range between \$35 million and \$47 million.

In addition, the auditors reported the 1990 leases did not adequately describe the scope of work required related to the master plan projects. As a result, the public obligations toward the sports complex have not been adequately defined or limited. Also, the actual costs incurred related to master plan projects have been significantly higher than initial estimates.

A 1994 study estimated the total cost for master plan improvements would total approximately \$56 million over the term of the leases. However, as of December 31, 2002, the Authority has spent almost \$61 million on master plan projects, with 12 years remaining in the leases and approximately 44 percent of the master plan projects not yet completed.

YELLOW SHEET

In late 2002, Jackson County officials entered into Memorandums of Understanding with the two teams which, among other things, would extend the leases for a 25-year period and include provisions for future improvements at the sports complex. The implementation of these new agreements is tied to proposed plans for a bi-state sales tax. The quarter-cent sales tax, if approved by the voters, would provide an additional \$354 million for improvements to the sports complex over a 25-year period. The Memorandum of Understandings entered into with the teams are still subject to the approval of the county legislature and it is not anticipated the bi-state tax proposal will be placed on the ballot before 2004.

The auditors questioned expenditures totaling \$7,820 for meals served to Authority officials and guests attending the Kansas City Chiefs home football games from 2000 to 2002. A review of the food/beverage invoices indicated the Authority generally paid for 30 to 40 meals at each game. By comparison the St. Louis Regional Convention and Sports Complex Authority, the entity that owns and oversees the Edward Jones Dome in St. Louis, assesses a food and beverage charge each game to those Authority members and guests attending St. Louis Rams games to offset the costs incurred.

The auditors recommended the Authority reevaluate the practice of providing meals to Authority members and guests on game days and whether this is an appropriate use of public funds. In addition, the Authority was advised to ensure the costs of any food/beverages provided to state officials are included on lobbying reports filed with the Missouri Ethics Commission.

Other questionable expenditures noted included mileage allowance payments made to the Executive Director and additional compensation or bonuses to employees totaling \$8,750. In addition, the Authority did not approve its 2003 and 2002 budgets on a timely basis.

Formal written minutes are not prepared for closed meetings. Although minutes for closed meetings are not specifically required by law, such minutes provide evidence only matters specifically authorized by law are discussed in closed session. In addition, formal minutes for closed meetings result in a better record of Authority transactions, discussions, and decisions.

All reports are available on our website: www.auditor.state.mo.us

JACKSON COUNTY SPORTS
COMPLEX AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-12
<u>Number</u>	<u>Description</u>
1.	Lease Agreements With Teams5
2.	Expenditures8
3.	Closed Meetings12
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	13-15
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	16-19
Appendix	Comparative Statement of Receipts, Disbursements, and Changes in Fund Assets.....19

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the Missouri General Assembly
and
Members of the Jackson County Sports
Complex Authority
Kansas City, MO 64129

We have audited the Jackson County Sports Complex Authority (the Authority). The scope of this audit included, but was not necessarily limited to, the years ended December 31, 2002, 2001, and 2000. The objectives of this audit were to:

1. Review expenditures made by the Authority, including those made from state funding received by the entity.
2. Review compliance with applicable legal, regulatory, and contractual provisions and established policies.
3. Review the efficiency and the effectiveness of certain management practices and operations.
4. Determine the extent to which audit recommendations included in our prior audit were implemented.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The firm of Cudney, Ecord, McEnroe and Mullane, L.L.C., Certified Public Accountants (CPAs) had been engaged to perform financial audits of the Authority for the years ended December 31, 2002, 2001 and 2000. To minimize any duplication of effort, we reviewed the reports and substantiating working papers of this CPA firm. In conducting our audit, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed Authority personnel.

As part of our audit, we assessed the Authority's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been

placed in operation and we assessed control risk. In order to assess control risk, we performed tests of controls to obtain evidence regarding the effectiveness of the design and operation of certain policies and procedures.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Authority's management and was not subjected to the procedures applied in the audit of the Authority.

The accompanying Management Advisory Report presents our findings arising from our audit of the Jackson County Sports Complex Authority.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

January 23, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Katherine K. Cardenas, CPA
Audit Staff:	Jeffrey Wilson

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

JACKSON COUNTY SPORTS
COMPLEX AUTHORITY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Lease Agreements With Teams
-----------	------------------------------------

The Jackson County Sports Complex Authority (the Authority) will not be able to meet its obligations under the current leases with the Kansas City Royals and the Kansas City Chiefs without additional funding. The actual costs incurred in completing master plan projects have been significantly higher than the amounts estimated.

In 1990, the Authority signed 25-year lease agreements with the Royals and the Chiefs. These lease agreements provided for each of the teams to pay the Authority base rent of \$450,000 per year, and percentage rentals based upon gross receipts. Total rent payments received from the Royals totaled \$1,116,331, \$1,114,520, and \$1,053,205, in 2002, 2001, and 2000, respectively. Total rent payments received from the Chiefs totaled \$1,478,850, \$1,393,544, and \$1,320,766 in 2002, 2001, and 2000, respectively.

Besides the rent payments received from the Royals and the Chiefs, the Authority has received annual funding from Jackson County, the city of Kansas City, and the state of Missouri. The level of total funding from these government entities has changed since the inception of the leases in 1990, but in recent years the county, the city, and the state have committed annual funding of \$3.5 million, \$2 million, \$3 million, respectively.

These lease agreements required the Authority to make some one-time capital improvements to the facilities which were completed in 1992. The leases also required the Authority to implement a comprehensive master plan of improvements and repairs to the sports complex which were to be completed over the life of the leases. While the master plan costs were not estimated or determined at the time the leases were entered into, it was anticipated they would be substantial.

In conjunction with the lease agreements, the Authority entered into management contracts with both teams. These contracts provide for the teams to manage the operations of the stadiums, including the payment of utilities. The Authority was required to pay management fees to the teams beginning with a base amount of \$2,050,000 and \$1,950,000 to the Royals and the Chiefs, respectively, during the first year of the contracts. The fees increased three percent each year until 1997, when they increased with the Consumer Price Index (up to a maximum of 4.75 percent per year). Management fees paid to the Royals totaled \$2,794,173, \$2,764,096, and \$2,609,435 during 2002, 2001, and 2000, respectively. Management fees paid to the Chiefs totaled \$3,047,719, \$2,234,537, and \$2,482,146 during 2002, 2001, and 2000, respectively.

In October 1998, the county issued leasehold revenue bonds totaling over \$40 million, of which approximately \$34 million was allocated to the Authority to pay for improvements

at the sports complex. In addition, the county allocated an additional \$8.3 million in proceeds from an October 2002 leasehold revenue bond issuance to be used for improvements at the sports complex. Starting in 1999, the county began withholding a substantial portion of the \$3.5 million annual funding commitment to pay debt service costs on the 1998 bonds. After these bonds are liquidated, the county plans to withhold a portion of its annual \$3.5 million funding commitment to pay debt service costs on the 2002 bonds.

As noted in previous audits, past analyses and studies have indicated anticipated revenues of the Authority would not be sufficient to cover its expenses over the life of the leases. Past projections made by various parties, including the State Auditor's office, have estimated a revenue shortfall over the term of the lease agreements ranging from \$19 million to \$53 million. A comprehensive master plan study conducted in 1994 by a private firm projected a deficit fund balance of almost \$29 million by the end of the lease agreements in early 2015.

Past audits have disclosed efforts by the Authority and other parties to fund the revenue shortfall, including consideration of a metropolitan funding solution. However, at the time of the prior audit, such a solution had not been secured and we recommended the Authority work with the county, city, and state and other appropriate entities and continue efforts to address the projected deficits. A review of this situation during the current audit disclosed the following:

- A. The Authority has not had a comprehensive master plan study conducted since the 1994 study was prepared. However, based on our review, it is apparent the Authority will still be unable to meet its obligations under the current leases without additional funding.

Using the 1994 master plan study as a basis and using historical revenue and expenditure data through 2002, we estimated future funding and expenditures of the Authority through the terms of the current leases (year 2015) under three different scenarios to determine the amount of the projected deficit under each scenario.

Under the first scenario, we applied a growth or inflation factor of 3 percent for those revenue and expenditures items which would be expected to vary, except for master plan expenditures. The estimated costs of master plan projects not completed were allocated over the remaining years of the lease and a 3.3 percent growth/inflation rate was applied to those costs. These growth/inflation rates were the same as those used in the 1994 study.

Under the second scenario, we adjusted the applicable revenue and expenditure items by the same growth/inflation factors used in the first scenario. In addition, we increased the estimated costs of uncompleted master plan projects by a factor of 84 percent. This percentage increase factor was determined based on a review of six completed master plan projects totaling almost \$20 million. Total costs

actually incurred on those projects exceeded the total estimated costs of those projects by 84 percent.

Under the third scenario, we applied a growth/inflation rate equal to the Consumer Price Index (CPI), or 2.4 percent. In addition, we increased master plan expenditures by the 84 percent factor discussed in the second scenario.

The projected deficits under these three scenarios ranged between \$35 million and \$47 million. It should be noted the three scenarios presented above are based on several uncertainties. For example, the funding from the city and state is subject to annual appropriation and is not certain.

- B. The 1990 leases did not adequately describe the scope of work required related to the master plan projects. As a result, the public obligations toward the sports complex have not been adequately defined or limited. In addition, we noted the actual costs incurred related to master plan projects have been significantly higher than initial estimates.

The 1994 master plan study estimated the total cost for master plan improvements would total approximately \$56 million over the term of the leases. However, as of December 31, 2002, the Authority has spent almost \$61 million on master plan projects, with 12 years remaining in the leases and approximately 44 percent of the master plan projects not yet completed.

A primary reason for the cost overruns is due to the incomplete and inadequately defined project descriptions in the master plan. For example, a project line item in the master plan is to "replace stadium seating..." The line item description and cost estimates did not address the type of chairs to be used, account for accessibility for the disabled, or include the cost for removal of the old seats. As a result, the actual cost to replace the stadium seating (which was coordinated with two other master plan items - waterproofing and concrete repair) at Kauffman and Arrowhead stadiums totaled \$14.5 million; however, the total estimated cost was only \$8.6 million, a difference of \$5.9 million or 69 percent. In addition, as noted in part A. above, actual costs incurred on six completed master plan projects reviewed exceeded the estimated costs by 84 percent.

The inadequacy of the master plan descriptions requires the Authority to negotiate the scope of work for every master plan project with the teams. While the actual project costs are often more than originally estimated, Authority officials indicated the projected costs are only estimates and the negotiations between the Authority and the team determine the scope of work and the final project costs.

In late 2002, Jackson County officials entered into Memorandums of Understanding with the two teams which, among other things, would extend the leases for a 25-year period and include provisions for future improvements at the sport complex. The implementation of these new agreements is tied to proposed plans for a bi-state sales tax.

The quarter-cent sales tax, if approved by the voters, would provide an additional \$354 million for improvements to the sports complex over a 25-year period.

According to Authority officials, as of mid-March 2003, the Memorandum of Understandings entered into with the teams are still subject to the approval of the county legislature and it is not anticipated the bi-state tax proposal will be placed on the ballot before 2004. If area voters eventually pass such a tax, the lease agreements with the Royals and Chiefs will be extended by 25 years from the date of the bi-state tax's adoption. If not, the current leases will remain in effect until 2015.

WE RECOMMEND the Authority:

- A. Continue to work with Jackson County, the city of Kansas City, the state of Missouri, and other appropriate entities in an effort to address the projected deficits.
- B. Ensure any future lease agreements with the teams better define the scope of promised improvements and limit the amount of public funding obligations committed to the sports complex.

AUDITEE'S RESPONSE

- A. *We concur with the conclusion that under the three (3) scenarios the auditors used that the projected deficits under the current leases that terminate on January 31, 2015 ranged from \$35 million to \$47 million.*
- B. *We concur with the recommendation that any future lease agreements with the teams better define the scope of capital improvements as well as repairs and maintenance and further that there be a cap on the public funding for the same. In addition, the Authority is endeavoring to have some of the above referred costs paid by patrons paying a user fee.*

2. Expenditures

Various expenditures were noted which appeared questionable or were not handled properly. These included costs totaling \$7,820 for meals served to Authority officials and guests attending the Kansas City Chiefs home football games, mileage allowance payments made to the Executive Director, and additional compensation or bonuses to employees totaling \$8,750. In addition, the Authority did not approve the 2003 and 2002 budgets on a timely basis.

- A. During the years ended December 31, 2002, 2001, and 2000, the Authority spent \$3,022, \$2,139, and \$2,659, respectively, for food, beverages (soft drinks), and related expenses served on game day to Authority members and other individuals.

For each home game at Arrowhead Stadium, the Authority receives 60 tickets to the game at no cost to the Authority. The Authority members and invited guests, including government officials, watch the game from the Authority's conference room/suite overlooking the playing field. According to Authority officials, the number of individuals who watch the games in the Authority's suite generally ranges from 30 to 60 people. Our review of the food/beverage invoices indicated the Authority generally paid for 30 to 40 meals at each game. The cost of any alcoholic beverages served in the suite is paid by the Authority members and other attendees from personal funds.

1. These expenditures may not represent an appropriate use of public funds. It should be noted that members of the St. Louis Regional Convention and Sports Complex Authority, the entity that owns and oversees the Edward Jones Dome in St. Louis, also watch home football games of the St. Louis Rams from a suite at that facility along with invited guests and other individuals. That authority assesses a food and beverage charge each game to those attending the game to offset the costs incurred.

The Authority board should review these costs and consider if these expenditures are an appropriate use of public funds.

2. The costs of any food and beverages provided to state officials at football games are not reported as lobbying expenses as required by state law.

According to the Executive Director of the Authority, it is not unusual for state legislators and other state officials to visit the Authority's suite during football games. He indicated no records are maintained documenting whether these officials consumed any food or beverages; however, he indicated these officials are welcome to partake in the food/beverage items provided.

Section 105.473, RSMo 2000 requires that all expenditures made by a lobbyist or their lobbyist principals on behalf of state officials, their staffs, or spouses and dependent children be reported monthly by the lobbyists to the Ethics Commission. The expenditures to be reported include the costs of food and beverages provided to these individuals.

Even though the costs of any food and beverages provided to state officials during the football games do not appear significant, the Authority should ensure the cost of such items provided to state officials is properly reported to the Ethics Commission as required.

- B. Mileage allowance payments to the Executive Director were not reported on his annual W-2 forms as compensation. During the three years ended December 31, 2002, the Executive Director received a monthly mileage allowance of \$250 to offset mileage driven to attend meetings and handle other Authority business.

The Executive Director was not required by the Authority to account for the business mileage driven to support these payments.

IRS Regulation Sections 1.62-2 and 31.3401(a)-4 specifically require business expenses not accounted for to the employer be considered gross income and that payroll taxes be withheld from the undocumented payments.

- C. During December 2001 and 2000, the Authority board authorized additional compensation for its two full-time staff members totaling \$3,000 and \$2,750, respectively, for "extra services rendered during the month of December." However, based on discussions with the applicable employees, no additional or extra services could be identified during those months to warrant the additional compensation. Additional compensation payments were not made in December 2002; however, in February 2003, the Authority board again authorized additional payments to these employees totaling \$3,000 for what was described as "services rendered." No payroll taxes or other withholdings were withheld from any of these payments.

These payments appear to represent bonuses which are not allowed in the governmental sector. Article III, Section 39 of the Missouri Constitution prohibits the granting of additional compensation to a public officer after the services have been performed. In addition, Attorney General's Opinion No. 72, to Pray, 1955, states "a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."

A similar finding was included in the previous report.

- D. The Authority's annual budgets were not approved on a timely basis for the years ended December 31, 2003 and 2002. The 2003 and 2002 budgets were not approved until March 20, 2003 and February 22, 2002, respectively.

The Authority's by-laws provide that a budget be prepared by October 1 of each year for the following calendar year. The by-laws require that a hearing on the budget be held in November of each year, and the budget be approved by the Authority following the public meeting. For budgets to be of maximum benefit as financial planning and monitoring tools, they need to be established and approved on a timely basis.

WE RECOMMEND the Authority:

- A.1. Reevaluate the current practice of providing meals in the Authority's suite on game days and whether this is an appropriate use of public funds.

2. Ensure the costs of any food/beverages provided to state officials who visit the Authority's suite during football games are included on the lobbyist reports filed with the Ethics Commission.
- B. Require the Executive Director to account for the business mileage driven to support the monthly mileage allowance payments or ensure any amounts not accounted for be reported as income on that individual's W-2 forms. In addition, payroll tax withholdings should be withheld from any amounts reported as compensation.
- C. Discontinue the practice of providing additional compensation or bonuses to its employees.
- D. Ensure its annual budgets are approved on a timely basis in accordance with its by-laws.

AUDITEE'S RESPONSE

- A.1. *The Authority believes that having its stadium offices open during sporting events at Arrowhead Stadium and making its facilities available to interested public officials is in the best interest of the Authority as well as the general public. The Authority will endeavor to review the appropriateness of the use of public funds, if any, for this purpose.*
2. *The Authority concurs that the requirements of Section 105.473, RSMo 2000 are applicable to the operations of the Authority. Additionally, the Chairman has directed the Authority's legal counsel to contact the Missouri Ethics Commission for direction in determining the recommended course of action to assure compliance with the reporting requirements. It is the intention of the Chairman to recommend to the Authority's Board of Commissioners at the next regular meeting of the Authority the adoption of a policy that will follow the suggestions that have been provided by the Ethics Commission.*
- B. *The Authority concurs that mileage allowance payments to employees should be reported as compensation on its annual W-2 or 1099 forms.*
- C. *The Authority will request its legal counsel to review the applicability of the requirements of Article III, Section 39 of the Missouri Constitution to this Authority and every effort will be made to comply with any applicable requirements.*
- D. *Prior to May 18, 1993, the Authority By-Laws required the approval by the Authority of its annual budget in February of each year. On the referred date an amendment was made to the By-Laws reflecting the current language requiring the Authority to prepare a budget by October 1 of each year for the following calendar year and further requiring a budget hearing on the budget to be held in November with the budget being approved by the Authority following the public meeting in a regular meeting of the Authority. In view of the fact that significant funds for support of the operations at the Sports Complex are provided by Jackson County, Missouri by way of an annual appropriation and further*

that the County does not ordinarily adopt its budget, which includes the Authority's appropriation, until January of each year, the Chairman is going to recommend to the Authority Board at its next meeting that the current By-Laws be amended in order to return to the February date for approval of its annual budget.

3.

Closed Meetings

Formal written minutes are not prepared for closed meetings. Although minutes for closed meetings are not specifically required by law, such minutes provide evidence only matters specifically authorized by law are discussed in closed session. The Sunshine Law (Chapter 610, RSMo 2000) allows matters to be discussed in closed session only if they relate to certain specified subjects. Those subjects that would appear to be most applicable to the Authority include matters related to pending or possible litigation, real estate transactions, and personnel matters.

In addition, minutes constitute the record of proceedings of the board. Therefore, formal written minutes for closed meetings result in a better record of Authority transactions, discussions, and decisions.

WE RECOMMEND the Authority ensure formal written minutes are prepared to document discussions held in closed session.

AUDITEE'S RESPONSE

The Authority concurs with the statement that the Sunshine Law (Chapter 610, RSMo) does not specifically require that formal written minutes for closed meetings be kept. Written minutes of the Authority have not been kept due to the fact that no votes are taken in the closed meetings. All votes requiring action by the Authority are taken in open meetings.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

JACKSON COUNTY SPORTS
COMPLEX AUTHORITY
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Jackson County Sports Complex Authority (the Authority) on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1994.

The prior recommendations which have not been implemented are repeated in the current MAR.

1. Lease Agreements

A December 1994 study projected that without additional funding the Authority would be in a deficit fund balance position of almost \$29 million by the end of the lease agreements in 2015.

Recommendation:

The Authority work with the county, the state, the city, and/or other appropriate entities and continue efforts to address the projected deficits.

Status:

Partially implemented. During 1998 and 2002, Jackson County issued revenue bonds to provide additional funding for master plan projects. However, a substantial revenue shortfall is still projected and a long-term funding solution to this situation has not yet been secured. See MAR finding number 1.

2. Investments

Authority funds were invested in commercial paper, which represents short-term corporate securities. The Missouri Constitution prohibits most government entities from investing in these types of securities.

Recommendation:

The Authority monitor the types of securities maintained within its investment portfolio and ensure its funds are invested in accordance with the limits provided in its banking contract and the applicable constitutional restriction.

Status:

Implemented.

3. Christmas Gifts

Each December the Authority authorized additional compensation to its employees as Christmas gifts. In December 1994, these payments totaled \$250.

Recommendation:

The Authority discontinue the practice of providing gifts to its employees. Expenditures should be limited to those necessary to properly administer and maintain the sports complex.

Status:

Not implemented. During the current audit period, the Authority board similarly authorized additional compensation or bonuses to employees. See MAR finding number 2.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

JACKSON COUNTY SPORTS
COMPLEX AUTHORITY
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Jackson County Sports Complex Authority (the Authority) was created as a body corporate and politic and a political subdivision of the state of Missouri in 1965 under the authority of Section 64.920, RSMo. The Authority oversaw the construction of the Harry S. Truman Sports Complex, a dual stadium complex, which opened for football during the 1972 season and for baseball during the 1973 season.

The Authority was assigned certain powers, duties, and obligations directed principally to plan, construct, operate, and maintain all things necessary to a complex suitable for all types of sports and recreation.

The Authority is currently operating under 25-year lease agreements with the Kansas City Royals and Kansas City Chiefs which were entered into in January 1990. Each lease agreement calls for annual basic rents paid by the teams of \$450,000 and percentage rentals based upon gross receipts, net of taxes, in excess of \$7,500,000.

In connection with the lease agreements, the Authority agreed to a comprehensive master plan of improvements and repairs to keep the Harry S. Truman Sports Complex in top condition. The Authority also entered into management contracts with the teams which provide for the Authority to pay management fees to the Royals and Chiefs. Management fees of approximately \$2.8 million and \$3.0 million were paid to the Royals and the Chiefs, respectively, during the year ended December 31, 2002. These fees are to compensate the teams for the costs to manage the daily operations of the stadiums, including utilities. The management fees currently increase each year with the Consumer Price Index, not to exceed 4.75 percent, during the remainder of the contracts.

In 1990, the voters of Jackson County approved the shift of an eight cent property tax levy to the county's Park Fund to help finance the obligations contained in the leases. Since that time, the county has allocated \$3.5 million annually from this levy to support the obligations contained in the leases. In 1998 and 2002, the county issued \$40,170,000 and \$10,000,000, respectively, of leasehold revenue bonds in part to fund improvements at the sports complex. The 1998 bond proceeds were used for master plan projects and improvement expenditures totaling \$34,100,000. Beginning in 1999, the county began using a significant portion of the \$3.5 million annual allocation to pay the debt service costs on the 1998 bonds. After the 1998 bonds are retired in 2015, the county will use a portion of the \$3.5 million annual allocation to pay the debt service costs on the 2002 bonds.

From 1991 to 1996, the Missouri General Assembly appropriated \$2 million annually for the maintenance of the sports complex pursuant to Sections 67.638 through 67.641, RSMo 2000. The state funding increased to \$3 million annually beginning in 1997.

Each year, the Authority enters into a cooperative agreement with the city of Kansas City, whereby the city agrees to appropriate \$2 million annually to partially fund the master plan

projects and for other maintenance and repair expenses at the sports complex. The county, state, and city funds have been deposited into a Convention and Sports Complex Fund which was established pursuant to Section 61.641, RSMo, and the monies in this fund are used to maintain and operate the sports complex.

The Authority board is bipartisan and consists of five commissioners who are qualified voters of the state of Missouri and residents of Jackson County. The Jackson County legislature submits a list of candidates to the Governor to replace members of the authority whose terms have expired. The Governor then appoints, with the advice and consent of the Senate, the succeeding members from that list of candidates. The commissioners serve staggered terms of five years and hold office until a successor has been appointed and confirmed. Commission members receive a maximum salary of \$3,000 per year, plus reimbursement for actual expenses incurred in the performance of their duties. The Authority board elects its own officers. At December 31, 2002, the commissioners were:

Commissioners	Title	Term Expires
John Bondon	Chairman	July 15, 2002*
Gerald E. Winship	First Vice Chairman	July 15, 2001*
Rev. Nelson Thompson	Second Vice Chairman	July 15, 1999*
Mike Smith	Treasurer	July 15, 2005
Jerry Mackey	Secretary	July 15, 2003

* Term expired. Commissioner continuing to serve until replaced.

During 2002, the Authority employed two full-time employees, consisting of an executive director and an administrative assistant, and one part-time employee who served as receptionist. John Friedmann has served as Executive Director of the Authority since 1990 and continues in that position.

Appendix

JACKSON COUNTY SPORTS COMPLEX AUTHORITY COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND ASSETS

	Year Ended December 31,				
	2002	2001	2000	1999	1998
RECEIPTS					
Basic rent -					
Kansas City Royals Baseball Corporation	\$ 450,000	450,000	450,000	450,000	450,000
Kansas City Chiefs Football Club, Inc.	450,000	450,000	450,000	450,000	450,000
Percentage rent -					
Kansas City Royals Baseball Corporation	666,331	664,520	603,205	523,713	504,892
Kansas City Chiefs Football Club, Inc.	1,028,850	943,544	870,766	872,024	816,256
Intergovernmental -					
Jackson County	323,000	331,737	329,272	279,233	3,500,000
State of Missouri	3,000,000	3,250,000	2,750,000	3,750,000	2,750,000
City of Kansas City	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Proceeds from revenue bonds	18,729	698,484	8,912,747	15,852,401	10,152,730
Interest	17,483	73,619	104,310	127,352	222,971
Other income	3,118	2,495	2,099	169,143	102,620
Total Receipts	<u>7,957,511</u>	<u>8,864,399</u>	<u>16,472,399</u>	<u>24,473,866</u>	<u>20,949,469</u>
DISBURSEMENTS					
Master plan	613,859	2,495,339	11,020,931	18,859,178	15,824,968
Repairs and improvements	1,169,009	1,307,574	1,306,973	1,053,264	851,989
Administrative	338,611	374,207	264,562	307,697	263,997
Lease negotiations	207,276	257,958	0	0	0
Management fees -					
Kansas City Royals Baseball Corporation	2,794,173	2,764,096	2,609,435	2,565,816	2,512,865
Kansas City Chiefs Football Club, Inc.	3,047,719	2,234,537	2,482,146	2,440,655	2,390,543
Total Disbursements	<u>8,170,647</u>	<u>9,433,711</u>	<u>17,684,047</u>	<u>25,226,610</u>	<u>21,844,362</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(213,136)	(569,312)	(1,211,648)	(752,744)	(894,893)
FUND ASSETS AT BEGINNING OF YEAR	<u>3,168,813</u>	<u>3,738,125</u>	<u>4,949,773</u>	<u>5,702,517</u>	<u>6,597,410</u>
FUND ASSETS AT END OF YEAR	<u>\$ 2,955,677</u>	<u>3,168,813</u>	<u>3,738,125</u>	<u>4,949,773</u>	<u>5,702,517</u>

* * * * *